limiting systems the old one advocated by the Committee, though apparently more severe, would seem to have much less alarming possibilities behind it.

A point on which the commercial world does not seem to have made up its mind, however, is whether there should be a limit at all. Under the old Act there was a limit which could only be passed by a breach of the law. Under the Cunliffe proposal the limit could be passed with the consent of the Treasury. Sir Edward has not told us of what machinery he proposes for the passing of the limit which he lays down; but in view of the great apprehension that an approach to the limit point would, as shown by the Committee, produce, it is clear that there would have to be a way round. In Germany there is no limit; you pay a tax on the excess issue and go on merrily. In America it would seem that the German system has been taken for a model. In his speech on January 29th Sir Edward quoted Senator Robert Owen, who was the principal pioneer of the Federal Reserve Bill through the Senate, as follows :—" The central idea of the system is elastic currency issued against commercial paper and gold, expanding and contracting according to the needs of commerce. . . . It is of great importance that the volume of these notes should contract when the commerce of the

country does not require the notes to be
circulation,
and the reserve board can require
them to be
returned by imposing a tax upon the
issue. . . .
Under the reserve system a financial
panic is impos-
sible. People will not hoard currency
nor hoard